

Rating Action: Moody's affirms ratings of UniCredit Bank AG and UniCredit Bank Austria AG, changes outlooks to negative

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Frankfurt am Main, April 01, 2020 -- Moody's Investors Service (Moody's) has today affirmed the A2 long-term senior unsecured debt and deposit ratings of UniCredit Bank AG (UCB) and the Baa1 long-term senior unsecured debt and A3 long-term deposit ratings of UniCredit Bank Austria AG (UBA). For both banks, the rating agency changed the outlook on their long-term debt and deposit ratings to negative from stable. Concurrently, Moody's affirmed UCB's and UBA's baa2 Baseline Credit Assessments (BCA) and Adjusted BCAs.

The rating action was prompted by the rating action on 15 Italian banks which included UCB's and UBA's parent bank UniCredit S.p.A. (UniCredit, deposits Baa1/senior unsecured Baa1 stable, BCA baa3). For further details, please refer to the following press release Moody's takes action on 15 Italian banks (https://www.moodys.com/research/--PR_420258), published on 26 March 2020.

For a list of all affected ratings, please refer to the end of this press release.

RATINGS RATIONALE

-- AFFIRMATION OF THE BASELINE CREDIT ASSESSMENTS

Moody's affirmation of UCB's and UBA's BCAs reflects the resilience of the banks' intrinsic financial strength, even in a more deteriorating operating environment from the coronavirus outbreak in Europe. Despite the rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook and asset price declines, which are creating a severe and extensive credit shock across many sectors, regions and markets and mostly weigh on the banks' solvency, Moody's currently views both UCB and UBA sufficiently prepared to withstand these pressures on a standalone basis. Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

With more than 17% Common Equity Tier 1 (CET1) ratios, both banks have built a strong buffers to cope with a deterioration of their presently sound asset quality in a recession scenario. While the rating agency expects the respective non-performing loan ratios to rise in the looming recession, government-implemented measures to support the corporate and retail sector provide additional smoothing of the negative economic implications of the present lock-down situation in both Germany and Austria. Both banks are also to withstand some market dislocations in capital-market funding through sufficient liquid assets. A relative weakness within their financial strength is the profitability, which is expected to be further stressed by increasing loan losses and in the case of UCB, UniCredit's global investment banking center, by weak capital markets performance.

While Moody's assesses both banks' financial profile to be superior to that of their parent UniCredit, the rating agency limits their BCAs at one notch above the parent because of common branding, intragroup exposures and interlinkages resulting from UCB's role as the group's global investment banking center.

-- AFFIRMATION OF RATINGS

The affirmation of the banks' ratings reflects the affirmation of their BCAs, unchanged results from Moody's Advanced Loss Given Failure (LGF) analysis and unchanged results from the rating agency's assumption for government support.

For UCB, the rating agency's Advanced LGF analysis results in two notches of rating uplift for deposits and senior unsecured debt and its moderate government support assumption results in one notch rating uplift.

For UBA, Moody's Advanced LGF analysis results two notches of rating uplift for deposits and one notch of rating uplift for senior unsecured debt and its low government support assumption results in no further rating uplift.

-- OUTLOOK CHANGE TO NEGATIVE FROM STABLE

The outlook change to negative from stable for both UCB's and UBA's long-term deposit and senior unsecured debt ratings reflects that each bank's standalone BCA could be downgraded if UniCredit's BCA is downgraded because of a deterioration in the operating environment caused by the coronavirus outbreak. Because of UCB's and UBA's high interconnectedness within UniCredit group activities, Moody's does not expect to allow the banks' BCAs to exceed the BCA of UniCredit by more than one notch.

Factors that would lead to an upgrade or downgrade of the ratings:

As indicated by the negative outlooks, upward pressure on the ratings is currently unlikely.

An upgrade of UCB's and UBA's ratings could be driven by an upgrade of their Adjusted BCAs, which would require an upgrade of the BCA of UniCredit, and in the case of UCB also an upgrade of the bank's own BCA. Their ratings could also be upgraded because of a higher rating uplift resulting from Moody's Advanced LGF analysis.

Moody's Advanced LGF analysis could result in additional notches of rating uplift for UCB and UBA if the banks issue more junior loss-absorbing securities than the rating agency currently expects.

UCB's and UBA's BCAs could be downgraded (1) if the banks' financial fundamentals deteriorated materially; (2) as a result of a downgrade of UniCredit's BCA; or (3) if the financial and non-financial interlinkages between UCB/UBA and its parent were to further deepen, for example if regulation allowed greater intra-group exposures.

The banks' ratings could also be downgraded should UCB or UBA issue materially less loss-absorbing liabilities than Moody's currently expects.

LIST OF AFFECTED RATINGS

Issuer: UniCredit Bank AG

..Affirmations:

-Long-term Counterparty Risk Ratings, affirmed A1
-Short-term Counterparty Risk Ratings, affirmed P-1
-Long-term Bank Deposits, affirmed A2, outlook changed to Negative from Stable
-Short-term Bank Deposits, affirmed P-1
-Short-term Deposit Note/CD Program, affirmed P-1
-Long-term Counterparty Risk Assessment, affirmed A1(cr)
-Short-term Counterparty Risk Assessment, affirmed P-1(cr)
-Long-term Issuer Rating, affirmed A2, outlook changed to Negative from Stable
-Baseline Credit Assessment, affirmed baa2
-Adjusted Baseline Credit Assessment, affirmed baa2
-Senior Unsecured Regular Bond/Debenture, affirmed A2, outlook changed to Negative from Stable
-Senior Unsecured Medium-Term Note Program, Affirmed (P)A2
-Junior Senior Unsecured Regular Bond/Debenture, affirmed Baa3
-Junior Senior Unsecured Medium-Term Note Program, affirmed (P)Baa3
-Subordinate Regular Bond/Debenture, affirmed Baa3
-Subordinate Medium-Term Note Program, affirmed (P)Baa3
-Other Short Term, affirmed (P)P-1

..Outlook Action:

....Outlook changed to Negative from Stable

Issuer: UniCredit Bank AG, London Branch

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed A1

....Short-term Counterparty Risk Ratings, affirmed P-1

....Long-term Bank Deposits, affirmed A2, outlook changed to Negative from Stable

....Short-term Bank Deposits, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed A1(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Long-term Issuer Rating, affirmed A2, outlook changed to Negative from Stable

..Outlook Actions:

....Outlook changed to Negative from Stable

Issuer: UniCredit Bank AG, New York Branch

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed A1

....Short-term Counterparty Risk Ratings, affirmed P-1

....Long-term Bank Deposits, affirmed A2 outlook changed to Negative from Stable

....Short-term Bank Deposits, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed A1(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

....Long-term Issuer Rating, affirmed A2, outlook changed to Negative from Stable

..Outlook Action:

....Outlook changed to Negative from Stable

Issuer: UniCredit Bank AG, Paris Branch

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed A1

....Short-term Counterparty Risk Ratings, affirmed P-1

....Long-term Bank Deposits, affirmed A2, outlook changed to Negative from Stable

....Short-term Bank Deposits, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed A1(cr)

....Short-term Counterparty Risk Assessment, affirmed P-1(cr)

..Outlook Action:

....Outlook changed to Negative from Stable

Issuer: UniCredit U.S. Finance Inc.

...Backed Commercial Paper, affirmed P-1

..No Outlook assigned

Issuer: Unicredit Bank AG, Hong Kong Branch

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed A1

...Short-term Counterparty Risk Ratings, affirmed P-1

...Long-term Counterparty Risk Assessment, affirmed A1(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Senior Unsecured Medium-Term Note Program, affirmed (P)A2

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Other Short Term, affirmed (P)P-1

..Outlook Action:

...Outlook changed to Negative from Stable

Issuer: Unicredit Bank AG, Singapore Branch

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed A1

...Short-term Counterparty Risk Ratings, affirmed P-1

...Long-term Counterparty Risk Assessment, affirmed A1(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Senior Unsecured Medium-Term Note Program, affirmed (P)A2

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Other Short Term, affirmed (P)P-1

..Outlook Action:

...Outlook changed to Negative from Stable

Issuer: Unicredit Bank AG, Tokyo Branch

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed A1

...Short-term Counterparty Risk Ratings, affirmed P-1

...Long-term Counterparty Risk Assessment, affirmed A1(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Senior Unsecured Medium-Term Note Program, affirmed (P)A2

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Commercial Paper, affirmed P-1

...Other Short Term, affirmed (P)P-1

..Outlook Action:

...Outlook changed to Negative from Stable

Issuer: UniCredit Bank Austria AG

..Affirmations:

...Long-term Counterparty Risk Rating, affirmed A2

...Short-term Counterparty Risk Rating, affirmed P-1

...Long-term Bank Deposits, affirmed A3, outlook changed to Negative from Stable

...Short-term Bank Deposits, affirmed P-2

...Short-term Deposit Note/CD Program, affirmed P-2

...Long-term Counterparty Risk Assessment, affirmed A2(cr)

...Short-term Counterparty Risk Assessment, affirmed P-1(cr)

...Baseline Credit Assessment, affirmed baa2

...Adjusted Baseline Credit Assessment, affirmed baa2

...Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Negative from Stable

...Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

...Backed Subordinate Regular Bond/Debenture, affirmed Baa1

...Subordinate Medium-Term Note Program, affirmed (P)Baa3

...Other Short Term, Affirmed (P)P-2

..Outlook Action:

...Outlook changed to Negative from Stable

Issuer: Creditanstalt AG

...Backed Subordinate Regular Bond/Debenture, affirmed Baa1

..No Outlook assigned

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1147865. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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At least one ESG consideration was material to the credit rating outcome announced and described above.

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